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TO SECSTATE WASHDC 1366

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

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E.O. 11652: GDS

TAGS: EGEN, PGOV, PFOR, MILI, RP

SUBJECT: QUARTERLY ASSESSMENT FOR THE PHILIPPINES

REF: ASST SEC INGERSOLL LETTER DEC 20, 1973

1. FOLLOWING IS FIRST PERIODIC ASSESSMENT OF SITUATION
IN PHILIPPINES AS REQUESTED ON A QUARTERLY BASIS
FOLLOWING CHIEFS OF MISSION CONFERENCE IN TOKYO LAST
NOVEMBER.

2. SUMMARY: AFTER SEVERAL FALSE STARTS IN HIS EFFORTS
TO "INSTITUTIONALIZE" HIS GOVERNMENT, TIDY UP THE
POLITICAL PRISONER ISSUE, AND NEUTRALIZE THE OPPOSITION,
PRESIDENT MARCOS HAS SETTLED INTO A PATTERN OF GOVERN-
MENT WHICH IS ADMITTEDLY DESPOTIC BUT PROFESSEDLY
BENEVOLENT. THE PHILIPPINE POPULATION CONTINUES TO
TOLERATE THE MARTIAL LAW REGIME WITH SURPRISINGLY
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LITTLE RESISTANCE, BUT MARCOS MAY BEGIN TO ENCOUNTER

PROBLEMS FOR HIS NEW SOCIETY IF THE IMPACT OF PETROLEUM-INSPIRED INFLATION CAUSES SERIOUS DISTORTIONS TO ECONOMY OR SHARP SETBACKS TO DEVELOPMENT GROWTH. CURRENT INDICATIONS ARE THAT ECONOMIC GROWTH WILL RECEDE FROM ITS BOOMING BEGINNINGS REGISTERED IN 1973. MILITARY PROBLEMS WITH MUSLIM MINORITY IN MINDANAO AND SULUS ARE FAR FROM UNDER CONTROL AND ARE ABSORBING LARGE MEASURE OF EFFORTS AND COSTS OF PHILIPPINE ARMED FORCES. SPRATLY ISLAND DISPUTE HAS BROUGHT PHILIPPINES INTO CONTENTION WITH SOUTH VIET-NAM, TAIWAN, AND CHINA. ALTHOUGH BASIC CURRENT PHILIPPINE PREOCCUPATION IS WITH POTENTIAL PETROLEUM RESOURCES IN SPRATLY AREA, THERE IS DEEPER UNDERLYING CONCERN WITH PROSPECT OF CHINESE EXPANSION INTO SOUTH CHINA SEA. MARCOS CONTINUES VERY CAUTIOUSLY TO DEVELOP HIS NEW DIPLOMATIC POSTURE OF ESTABLISHING FRIENDLY RELATIONS WITH COMMUNIST COUNTRIES AND DEVELOPING CLOSER INSTITUTIONAL TIES WITH ASEAN. HE SEES THIS AS LOGICAL EXTENSION OF NIXON DOCTRINE, BUT IS ANXIOUS TO PRESERVE ESPECIALLY CLOSE RELATIONS WITH THE UNITED STATES. PRIMARY U.S. NATIONAL INTERESTS IN THE PHILIPPINES DO NOT SEEM TO BE THREATENED IN THE NEAR FUTURE ALTHOUGH WE WILL HAVE TROUBLESOME NEGOTIATIONS IN THE MONTHS AHEAD OVER BASES AND INVESTMENTS - NEGOTIATIONS WHICH WILL BE EVEN MORE DIFFICULT IN THE ABSENCE OF CONGRESSIONAL PASSAGE OF A TRADE REFORM BILL AND EXTENSION OF THE SUGAR QUOTA ACT. END SUMMARY.

3. INTERNAL POLITICAL. DURING PAST FEW MONTHS, MARCOS MADE SEVERAL SPORADIC EFFORTS TO MOVE AWAY FROM EMBARRASSINGLY ARBITRARY MARTIAL LAW REGIME AND INTO SOME COSMETICIZED FORM OF INSTITUTIONAL DEMOCRACY. IT WAS NEVER HIS INTENTION, IN ATTEMPTING THESE MOVES, TO LOOSEN HIS OWN CONTROL ON THE LEVERS OF POWER. HOWEVER, BEING EXTREMELY CONSCIOUS OF HIS POOR INTERNATIONAL PRESS, PARTICULARLY IN THE UNITED STATES, AND DESIROUS OF ACQUIRING GREATER DOMESTIC ACCEPTABILITY, MARCOS WAS HOPING TO GET MINIMAL COOPERATION FROM HIS DEMORALIZED POLITICAL OPPOSITION IN DEVELOPING A GOVERNMENTAL SYSTEM WHICH WOULD AT LEAST OUTWARDLY CONFORM IN CHARACTER WITH

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THE REQUIREMENTS OF THE 1973 CONSTITUTION. ESSENTIALLY, THIS COOPERATION WOULD INVOLVE WILLINGNESS OF HIS OPPOSITION TO PARTICIPATE IN OR TOLERATE A COMPLIANT INTERIM NATIONAL ASSEMBLY.

4. POLITICIANS HAVE SO FAR FRUSTRATED PRESIDENT'S PLANS. INVETERATE OPPOSITIONISTS LED BY INCARCERATED SENATORS AQUINO AND DIOKNO, AS WELL AS THEIR LAWYERS,

SENATORS SALONGA AND TANADA, HAVE HEAPED SCORN ON ANY-THING BUT FREE, UNFETTERED ASSEMBLY. OTHER POLITICAIIANS AND FORMER CON-CON DELEGATES, NOT SO DEDICATED IN THEIR OPPOSITION TO MARCOS, HAVE NEVERTHELESS DEMONSTRATED SUCH GREED AND UNSUBDUED AMBITION AS TO UNDO MARCOS' CONFIDENCE IN HIS ABILITY TO RIG ASSEMBLY ONCE GATHERED. THEREFORE, WHILE HE STILL CARRIES ON OCCASIONAL FLIRTATIONS WITH LOPEZ, ROXAS, ET ALS., MARCOS SEEMS TO HAVE RESIGNED HIMSELF TO THE PROSPECT OF CONTINUING TO RULE BY DECREE, WITH NO PARLIAMENTARY CAMOUFLAGE. TO ALLEVIATE THE HARSHNESS OF THIS ARRANGEMENT FOR THE AVERAGE CITIZEN, HE HAS STEPPED UP HIS EFFORTS TO SEDUCE POPULAR SUPPORT BY A CAMPAIGN OF PROMISING ECONOMIC, SOCIAL, AND WELFARE BENEFITS TO ALL QUARTERS OF THE BODY POLITIC.

5. IN GENERAL, HE STILL SEEMS TO ENJOY PASSIVE SUPPORT THROUGHOUT THE COUNTRY BECAUSE OF A COMBINATION OF RESPECT FOR ACCOMPLISHMENTS SO FAR MADE AND FEAR OF STANDING UP AGAINST HIM. THE RATHER SHRILL CRITICISM FROM THE UNDERGROUND PRESS, THE LIBERAL ELEMENTS OF THE CHURCH, AND A FEW OLD-LINE POLITICAL FIGURES THUS FAR FINDS NOTABLY LITTLE RESPONSE FROM THE CITIZENRY. SINCE MARCOS KNOWS IT WOULD NOT BE FEASIBLE FOR HIM TO TRY TO CONTROL HIS 40 MILLION CONSTITUENCY WITH THE 40 THOUSAND OR SO MILITARY AND CONSTABULARY FORCES AVAILABLE TO HIM FOR THAT PURPOSE, HE AND HIS OPPOSITION ARE CLEARLY IN CONTEST TO DETERMINE WHETHER THE CURRENT POPULAR TOLERANCE OF HIS REGIME CAN LONG ENDURE.

6. ECONOMIC. THE TESTING GROUND FOR PART OF THIS CONTEST WILL DOUBTLESS BE FOUND IN THE ECONOMIC FIELD. THE DRAMATIC ECONOMIC SUCCESSES OF 1973 BOLSTER THE
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CONFIDENCE OF MARCOS AND HIS TECHNOCRATS THAT THEY WILL SUCCEED IN COUNTERING POTENTIAL DISCONTENT BY SATISFYING THE NATION'S MAJOR ECONOMIC NEEDS AND ASPIRATIONS. THE OPPOSITION, PARTICULARLY FORMER SENATOR SALONGA, ASSERTS THAT 1973 WAS AN ABERRATION, A YEAR OF BENEVOLENT WEATHER, LOW IMPORT COSTS, HIGH EXPORT EARNINGS, AND RELATIVE PRICE STABILITY. THEY PREDICT THAT 1974 IS BOUND TO HAVE AT LEAST ONE DISASTROUS TYPHOON, A SHORTAGE OF FERTILIZER, A DRAMATICALLY INCREASED IMPORT BILL, A COMPOUNDED SCALE OF INFLATION, AND STABILIZED

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OR DEPRESSED EXPORT EARNINGS. THEY ARE BETTING THAT MARCOS WILL BE UNABLE TO CONTROL ALL THESE FACTORS AND THAT ECONOMIC DISCONTENT WILL REAPIDLY SPREAD, BECOMING INCREASING VOCAL AND INTENSIVELY POLITICAL. THEY FEEL THAT IN THIS EVENT THEIR CONTINUED OPPOSITION WILL AFFORD THEM A FOCUS FOR ALTERNATE LEADERSHIP, AND THAT MARCOS, WHO WILL BE UNABLE TO CONTROL THE POPULAR DISCONTENT BY FORCE, WILL EITHER "CUT HIS LOSSES AND GO TO SWITZERLAND" OR BE REQUIRED TO COMPROMISE WITH THEM IN SUCH A MANNER THAT THEY CAN ONCE AGAIN SHARE IN THE BENEFITS OF GOVERNING THE COUNTRY.

7. ALL OF THE FACTORS INHERENT IN SALONGA'S ECONOMIC ANALYSIS ARE REAL, IF VARIOUSLY SKEWED, AND THEY COULD CONSTITUTE THE GREATEST TEST YET TO BE FACED BY THE MARCOS ADMINISTRATION. IN THE FIRST PHASES OF THIS POSSIBLE CRUNCH, I WOULD HAVE TO GIVE THE PRESIDENT AND
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HIS TECHNOCRATS FAIRLY GOOD MARKS FOR THE MANNER IN WHICH THEY HAVE HANDLED THE PETROLEUM CRISIS, IMPORT AND INVESTMENT POLICY, EXPORT PROMOTION, AND THE AGRICULTURAL SECTOR. THEIR MOST UNGUARDED ACHILLES HEEL, IT SEEMS TO ME, IS IN THE AREA OF URBAN WAGES AND PRICES, ESPECIALLY THE PROSPECT OF FURTHER IMPORTED INFLATION. UNIVERSITY STUDENTS, WHO HAVE TRADITIONALLY BEEN THE MOST VOLATILE SINGLE SOCIAL SECTOR, ARE ALSO BEING SUBJECTED TO THE ECONOMIC SQUEEZE. AS OF THIS WRITING, THE TECHNOCRATS ARE STILL ATTEMPTING TO LIMIT THE IMPACT OF EXTERNAL PRICE CHANGES BY ADMINISTRATIVE MEASURES WHICH AT BEST MIGHT SLOW THE RATE OF INTERNAL INFLATION. MOREOVER, "SOCIALIZED PRICES" ARE SYSTEMATICALLY EVADED, AND RECENT BOOSTS IN INDUSTRIAL WAGE BENEFITS ARE IN LOWER LEVELS CLEARLY INADEQUATE. WHILE THE FARMER AND THE RURAL AREA IN GENERAL (EXCEPT FOR PLANTATION DAY LABORERS) HAVE BENEFITTED, IF UNEVENLY, FROM THE HIGH PRICES WHICH AGRICULTURAL PRODUCTS DEMAND, THERE HAS BEEN A SPOTTY RECORD AND IN SOME INSTANCES ONLY PAPER PROMISES FOR THE WEAKER URBAN INDUSTRIAL AND COMMERCIAL WORKER.

8. THE TECHNOCRATS AND ECONOMIC PLANNERS ARE DOING THEIR CALCULATIONS WITH IMPRESSIVE PROFESSIONALISM - BUT PERHAPS IN TOO DESSICATED TERMS - TO COPE WITH THE STAGGERING EFFECTS WHICH THE PETROLEUM-INSPIRED INFLATION WILL HAVE ON THEIR DEVELOPING ECONOMY. ON THEIR SIDE IS AN IMPRESSIVE 1973 OUTTURN, A RECORD RESERVE POSITION AND A COMPARATIVELY EASY EXTERNAL DEBT SITUATION. ONE OF THEIR BASIC ECONOMIC TENETS IS THAT WAGES MUST BE KEPT RELATIVELY BELOW OTHER REGIONAL COMPETITORS TO ATTRACT INVESTMENT, AND ANOTHER IS THAT THEIR PRESENT ABILITY TO BORROW ABROAD ON FAVORABLE TERMS MUST BE PRESERVED EVEN AT SOME COST TO GROWTH. CURIOUSLY COMBINED WITH THIS TOUGH RICARDIAN STANCE IS THE MICAWBER-LIKE SERENDIPITY THAT, SOMEWHERE IN THE SULU SEA, SOMEONE WILL STRIKE OIL AND EVERYTHING WILL TURN OUT ALL RIGHT IN THE END.

9. MILITARY. BUT THE SULU SEA AND THE SOUTH CHINA SEA ARE VERY TROUBLED WATERS THESE DAYS, PARTLY BECAUSE OF
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OIL. THE MUSLIM REBELLION IN MINDANAO AND THE SULUS, WHICH HAD EASED CONSIDERABLY IN THE LAST MONTHS OF 1973, FLARED INTO A VIOLENT CRESCENDO AFTER AN AFP BUILDUP IN JANUARY PROVOKED A SWIFT REBEL ATTACK ON JOLO CITY IN THE SULUS IN EARLY FEBRUARY. THE GARRISON WAS OBVIOUSLY CAUGHT OFF GUGARD, THE LOCAL POLICE HAD

APPARENTLY COLLABORATED WITH THE ATTACKERS, AND THE RESULT WAS A FIASCO. SOME 250 FRIENDLIES WERE KILLED IN THE ACTION, THE CITY WAS DESTROYED, AND TENS OF THOUSANDS OF ITS RESIDENTS HAVE FLED AS REFUGEES. THE REBELS HAVE RETREATED TO THE HILLS, WHERE THE ARMED FORCES HOPE TO STARVE THEM INTO SURRENDER. THIS RESULT SEEMS UNLIKELY.

10. THIS EPISODE IN JOLO EPITOMIZES THE FRUSTRATIONS WHICH THE MUSLIMS REPRESENT FOR MANILA. IN HIS PERCEPTION OF THE PROBLEM, MARCOS DISTINGUISHES BETWEEN THE MORE TRACTABLE MUSLIMS IN MINDANAO AND THE INTRANSIGENT TAUSUGS OF SULU, WITH THEIR SABAH CONNECTIONS AND THEIR PIPELINE TO MALAYSIA AND LIBYA. HE BELIEVES HE CAN PACIFY MINDANAO BY "CIVIC ACTION" AND SOCIAL-ECONOMIC PALLIATIVES. SUCH A SIMPLIFIED VIEW OF THE MAGUINDANAO PROBLEM IS UNLIKELY TO ELICIT SUPPORT FOR THE CENTRAL GOVERNMENT AND MAY WELL INDUCE FURTHER CONFLICT. HE REGARDS THE SULUS AS SOMETHING WHICH CAN ONLY BE STABILIZED BY A COMBINATION OF BRUTE FORCE AND INTRA-TRIBAL DEALS. IN THE LONG RUN, HE RECOGNIZES THAT THESE DEALS WILL INVOLVE HIM WITH TUN MUSTAPHA, GHAZALI, AND PERHAPS EVEN QUADDAFI. HE ALSO KNOWS THEY WILL PROBABLY INVOLVE THE RELINQUISHMENT OF HIS LONG-STANDING "CLAIM" TO SABAH. BUT HE IS DETERMINED THAT HE WILL NOT PERMIT THE INTEGRITY OF THE REPUBLIC TO BE WEAKENED BY A GRANT OF AUTONOMY, NOR THE POTENTIAL REVENUE FROM OFF-SHORE OIL TO BE DISSIPATED BY ITS ALIENATION. THEREFORE, WHILE HE IS PREPARED TO "DEAL", THERE ARE LIMITS BEYOND WHICH HE WILL REFUSE TO GO.

11. IN ADDITION TO THE MILITARY PROBLEMS WITH THE MUSLIMS, THERE ARE THE PERENNIAL PROBLEMS WITH THE COMMUNIST BANDS WHICH ARE SCATTERED IN THE HILLS OF LUZON AND IN SOME OF THE OTHER ISLANDS OF THE VASAYAS.

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GIVEN THE GENERAL CONTENTMENT AND PROSPERITY OF THE COUNTRYSIDE AS WELL AS THE CONTINUING APPLICATION OF MARITAL LAW, THESE BANDS HAVE BEEN HAVING A RATHER ROUGH TIME OF IT IN THE LAST SEVERAL MONTHS AND SEVERAL OF THEM HAVE BEEN BADLY DECIMATED. MOST HAVE BEEN DRIVEN WELL AWAY FROM AREAS OF URBAN SUPPORT AND ALL HAVE BEEN KEPT EFFECTIVELY ON THE RUN. HOWEVER, BECAUSE SO MUCH OF THE ARMED FORCES STRENGTH AND BUDGET HAVE BEEN CONCENTRATED ON THE MUSLIM PROBLEM, THE GOVERNMENT HAS NOT BEEN ABLE TO CAPITALIZE ON ITS BEST POST-WAR OPPORTUNITY TO ELIMINATE THESE PESKY REVOLUTIONARIES ONCE AND FOR ALL. THE PROBLEM, THEREFORE, REMAINS A TRUCULENT ONE; AND IF THERE WERE EVER A

COORDINATED CAMPAIGN ARRANGED BETWEEN THE COMMUNISTS
AND THE MUSLIMS, IT WOULD BE ONE THAT COULD GET OUT OF
HAND.

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12. FOREIGN RELATIONS. MARCOS HOPES THAT HIS POTENTIAL
DEALS WITH RESPECT TO THE SULUS WILL BENEFIT FROM THE
GENERAL THRUST OF HIS CURRENT FOREIGN POLICY. THIS
THRUST PLACES A MAJOR EMPHASIS UPON THE DEVELOPMENT OF
A SOUTHEAST ASIAN COMMUNITY OF NATIONS THROUGH ASEAN.
HE BELIEVES THAT MALAYSIA, WHICH HAS THE GREATEST
PUTATIVE INFLUENCE ON THE SULU REBELS, WILL SUBMERGE
ITS ISLAMIC MISCHIEF-MAKING IN FAVOR OF ITS INTEREST IN
A MORE ACTIVE ASEAN COMMUNITY. HE ALSO BELIEVES THAT
INDONESIA WILL BE OF ASSISTANCE TO HIM IN EASING HIS
PROBLEMS, NOT ONLY WITH THE LOCAL MUSLIMS, BUT WITH
THEIR AFFLUENT ARAB SPONSORS.

13. HIS CONCERN WITH THE ARABS, HOWEVER, RUNS WELL BEYOND

THE PAROCHIAL PROBLEMS OF MINDANAO AND SULU. IN THE WAKE OF THE YOM KIPPUR WAR, THE PHILIPPINES BECAME ACUTELY AWARE OF THE DEGREE OF ITS DEPENDENCE ON ARAB
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OIL. THEREFORE, LIKE MANY OF THEIR ASIAN BRETHREN, MANILA HAS UNDERTAKEN A FULSOME COURTSHIP OF THE ARABS IN ORDER TO ASSURE THE PHILIPPINES OF AN ADEQUATE GOIL SUPPLY UNTIL THAT HAPPY DAY WHEN IT CAN RELY ON ITS OWN ANTICIPATED DISCOVERIES. ALTHOUGH THIS EFFORT HAS NOT YET EMBRACED A BREAK IN RELATIONS WITH ISREAL, IT HAS VERY FEW ETHICAL LIMITS, AND IS CRASSLY CALCULATED ON SELF-SERVING INTERESTS. IT MEANS, CONSEQUENCLY, THAT IN INTERNATIONAL BODIES OR OTHER OCCASIONS WHERE A RELAAATIVELY INCONSEQUENTIAL GESTURE TO THE ARABS CAN BE MADE AT NO IMMEDIATE AND DIRECT COSTS TO THE PHILIPPINES, IT WILL BE MADE, AND NO EXCUSES OF PRINCIPLE WILL BE OFFERED.

14. IN ADDITION TO THIS LOOSENING OF ITS TRADITIONAL DIPLOMATIC TIES, THE PHILIPPINES CAN BE EXPECTED TO MOVE, WITH RATHER GLACIAL PACE, TOWARDS A MORE "EQUIDISRANT" STANCE IN ITS RELATIONS WITH THE GREAT POWERS. THE ACCUSTOMED PROBLEM OF SEEKING A STATUS OF EQUILIBRIUM BETWEEN JAPAN AND THE UNITED STATES WILL BE REPLICATED BY EFFORTS TO OBTAIN SOME RECOGNIZED STATUS IN RELATIONSHIP TO THE SOVIET UNION AND CHINA. THE SOVIETS, AS PART OF THEIR BRESZHNEV DOCTRINE, ARE PURSUING THE PHILIPPINES, AND HAVE USED THE DEVICE OF A PROFFERED COMMERCIAL TREATY TO SEEK AN OPENING WEDGE FOR A DIPLOMATIC AND ECONOMIC REPRESENTATION HERE. ALTHOUGH THE PHILIPPINES HAS CONCLUDED FULL DIPLOMATIC EXCHANGES WITH YOGOSLAVIA, POLAND, HUNGARY, CZECHOSLOVAKIA, EAST GERMANY, ROMANIA, BULGARIA, AND OUTER MONGOLIA, IT HAS KEPT THE SOVIETS AT ARMS' LENGTH. IN ADOPTING THIS POSTURE, MARCOS IS CLEARLY AWARE OF THE INDELICACY WHICH WOULD BE INVOLVED IF HE WERE TO AGREE TO RELATIONS WITH MOSCOW PRIOR TO A PARALLEL ARRANGEMENT WITH PEKING. HE HAS, CONSEQUENTLY, BEEN ACTIVE IN A NUMBER OF WAYS IN PURSUIT OF PEKING. BUT THE CHINESE, WHILE SENDING A TRADE MISSION AND INVITING A BASKET-BALL TEAM, HAVE BEEN RELUCTANT TO GIVE THEIR ENDORSEMENT OFFICIALLY AND FORMALLY TO THE NEW SOCIETY AND THE SUPPRESSION OF "MAOIST" GUERRILLAS.

15. THEY MUST BE TEMPTED, HOWEVER, BY THE PROSPECT THAT
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DIPLOMATIC RELATIONS BETWEEN PEKING AND MANILA WOULD FURTHER ISOLATE TAIPEI. THERE SEEMS LITTLE QUESTION THAT MARCOS WOULD BE PREPARED TO JETTISON HIS RELATIONS WITH TAIPEI IN DUE COURSE IF HE COULD REACH SATISFACTORY UNDERSTANDINGS WITH PEKING. IN HIS MIND, THESE UNDERSTANDINGS RELATE PRIMARILY TO THE STATUS OF THE OVERSEAS CHINESE IN THE PHILIPPINES. ON THIS ACCOUNT, MARCOS WILL BE WATCHING VERY CAREFULLY WHAT SORT OF DEAL THE MALAYSIANS CAN WORK OUT ON THIS TOUCHY SUBJECT. BUT, BEYOND THAT, HE WILL ALSO HOPE FOR ASSURANCES THAT PEKING WILL REFRAIN FROM SUPPORTING THE "MAOIST" GUERRILLAS, AND WILLING TO REFRAIN FROM PRESSING CLAIMS TO "FREEDOMLAND" IN THE SPRATLY ISLAND GROUP WHICH BORDERS CLOSELY ON PALAWAY AND WHICH MAY BE LOCATED ASTRIDE THE OFFSHORE OILFIELDS OF SUCH KEY INTEREST TO THE PHILIPPINE ECONOMY.

16. US-PHILIPPINE RELATIONS. THIS GENERAL LOOSENING UP OF THE TRADITIONAL PATTERN OF PHILIPPINE FOREIGN POLICY AND THE EFFORTS TO DEVELOP AN ASEAN IDENTITY IN AN "EQUIDISTANT" WORLD ARE, TO MARCOS, THE LOGICAL CONSEQUENCES OF THE NIXON DOCTRINE. IN MAKING THE MOVES TO SATISFY THESE CONSEQUENCES, MARCOS IN NO WAY WISHES TO WEAKEN HIS RELATIONS WITH THE UNITED STATES OR FALL AWAY FROM A GENERAL "PRO-AMERICAN" PATTERN. IN FACT, HE BELIEVES THAT, IN DOMESTIC POLITICAL TERMS, HIS GREATEST VULNERABILITY WOULD DEVELOP IF HE WERE PUBLICALLY SEEN TO DROP FROM THE BENEVOLENT FAVOR OF THE UNITED STATES. HE THEREFORE COMPORTS HIMSELF IN SUCH A WAY AS TO GIVE NO OFFENSE TO THE UNITED STATES AND PORTRAYS HIMSELF TO HIS CITIZENRY AS BEING ON VERY CLOSE TERMS WITH WASHINGTON.

17. THIS SITUATION MEANS THAT, IN GENERAL, U.S.-PHILIPPINE RELATIONS ARE EXCELLENT. MARCOS WISHES TO AVOID ANY CIRCUMSTANCES WHICH WILL CAST A SHADOW ON THAT EXCELLENCE. HE DOES, HOWEVER, FACE THE FACT THAT A NUMBER OF BILATERAL MATTERS BETWEEN MANILA AND WASHINGTON ARE INEXORABLY COMING TO A HEAD AND HE IS BOUND, BY EMOTION AND BY INSTINCT, TO SEEK THEIR RESOLUTION IN A NATIONALISTIC PATTERN. THE ISSUES AT
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STAKE ARE THOSE WHICH AFFECT U.S. AND PHILIPPINE ECONOMIC INTERESTS WITH THE EXPIRATION OF LAUREL-LANGLEY, AND CONCOMMITENTLY, THE MILITARY FACILITIES AGREEMENTS, IN WHICH MARCOS HAS LONG PROMISED SOME ADJUSTMENTS.

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18. FOR A VARIETY OF REASONS, THE FILIPINOS HAVE BEEN
CURIOUSLY RELUCTANT TO COME TO GRIPS WITH US ON THESE
QUESTIONS. IN PART, THIS RELUCTANCE STEMS FROM A
DESIRE TO AVOID ROCKING THE BOAT. IN PART, IT INVOLVES
SUBTLE PRESSURES ON AMERICAN BUSINESS TO MOVE VOLUNTARILY
AWAY FROM PARITY ARRANGEMENTS AND THUS AVOID THE
NECESSITY OF NEGOTIATIONS ON THAT SUBJECT. BUT, IT ALSO
REFLECTS THE FACT THAT, IN THE ABSENCE OF U.S.
CONGRESSIONAL ACTION ON A TRADE REFORM BILL OR A SUGAR
QUOTA ACT, THE FILIPINOS SEE VERY LITTLE INCENTIVE TO
NEGOTIATE WITH US. THEREFORE, UNLESS THERE IS PASSAGE
OF BOTH THESE MEASURES IN A FORM WHICH MANILA
CONSIDERS BENEFICIAL TO ITS INTERESTS, THERE IS LITTLE LIKELIHOOD
THAT MANILA WILL MAKE ANY FAVORABLE ADJUSTMENTS FOR
AMERICAN BUSINESS IN THE PREDICTABLE PAINFUL
PROCESS INVOLVED IN THE TERMINATION OF LAUREL-LANGLEY. A
SITUATION WHICH RESULTS IN A PROTRACTED PERIOD OF
AMBIGUITY COULD SOUR THE GENERAL ECONOMIC AND

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INVESTMENT CLIMATE FOR U.S. BUSINESS INTERESTS IN THE PHILIPPINES. IT WOULD ALSO BE A DISAPPOINTMENT TO MARCOS AND HIS LIEUTENANTS BECAUSE, IN PART, THEY REGARD CONTINUED AMERICAN TRADE AND INVESTMENT AS AN ESSENTIAL COUNTERPOISE TO KEEP THEIR COUNTRY FROM BECOMING AN ECONOMIC APPENDAGE OF JAPAN. BECUASE OF THESE FACTS, I HOPE THAT WE CAN AVERT THE DETERIORATION OF OUR ECONOMIC RELATIONS, NO MATTER HOW SLOW OR AWKWARD U.S. CONGRESSIONAL ACTION MAY BE.

19. THE OUTCOME OF OUR ECONOMIC NEGOTIATIONS WILL OVBIOUSLY AND DIRECTLY AFFECT OUR NEGOTIATIONS ABOUT MILITARY MATTERS. THERE IS A TENDENCY, ENCOURAGED BY THE SPANISH EXAMPLE, FOR FILIPINOS TO ASK RENTAL FOR THE U.S. BASES HERE. AS A MATTER OF DELICADEZA, THEY ARE WILLING TO DISGUISE THAT RENTAL IN THE FORM OF MAP BENEFITS, PROVIDED THAT SOME CORRELATIVE FORMULA CAN BE WORKED OUT. IN VIEW OF THE UNCERTAINTY OF MAP AUTHORITY IN THE FUTURE OF U.S. CONGRESSIONAL THINKING, WE MUST AVOID SUCH A DIRECT LINKAGE. HOWEVER, IT IS INEVITABLE THAT, IN COSIDERING THE FUTURE OF OUR BASES HERE, MARCOS WILL EXAMINE THE WHOLE PACKAGE OF ASSETS AND LIABILITIES WHICH HE BELIEVES RESULT FROM THEIR PRESENCE IN THE PHILIPPINES. THESE WILL INCLUDE OUR WILLINGNESS TO HELP THE PHILIPPINES ARMED FORCES GAIN LIMITED SELF-SUFFICIENCY, OUR SERIOUSNESS IN ACCEPTING THE OBLIGATIONS OF OUR MUTUAL DEFENSE AGREEMENT, OUR EFFECTIVENESS IN PROVIDING THE ELEMENTS OF AIR DEFENSE FOR THESE ISLANDS, AND OUR WILLINGNESS TO RECOGNIZE ULTIMATE PHILIPPINE SOVEREIGNTY OVER THE BASE TERRITORIES AND THE PERSONNEL WE DEPLOY THERE.

20. IN PRACTICE, MARCOS IS WELL DISPOSED TO THE UNITED STATES, SHARES OUR VIEW OF WORLD STRATEGY, DISTRUSTS THE CHINESE, THE SOVIETS, AND THE JAPANESE, AND FEELS MOST COMFORTABLE IN DEALING WITH US. BUT IT WOULD BE A MISTAKE FOR US TO TAKE HIM FOR GRANTED. OUR RELATIONS WILL REQUIRE CAREFUL CULTIVATION, ALWAYS MADE MORE DIFFICULT BY THE FACT THAT THE TYPE OF GOVERNMENT MARCOS HEADS IS NOT THE MOST POPULAR FORM IN THE HEARTS AND MINDS OF MOST AMERICANS, OR FOR THAT

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MATTER, OF MOST FILIPINOS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MARTIAL LAW, GOVERNMENT REFORM, PETROLEUM, INFLATION, ECONOMIC STABILITY, POLITICAL SITUATION, POLITICAL PRISONERS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANILA02234
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974026/aaaaafes.tel
Line Count: 602
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: ASST SEC INGERSOLL LETTER DEC 20, 19, 73
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2002 by boyleja>; APPROVED <02 JAN 2003 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: QUARTERLY ASSESSMENT FOR THE PHILIPPINES
TAGS: EGEN, PGOV, PFOR, MILI, RP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005